

### Sponsor

**Loudoun County Board of Supervisors**  
**Supervisor Lori Waters**  
**Chair, Economic Development Committee**

Loudoun County is governed by a nine-member Board of Supervisors. As Chair of the Board's Economic Development Committee, Supervisor Waters is acting as the sponsor's key elected representative on this project. In 2004, the Board of Supervisors purchased a 100-acre site for use by the public schools. The school system has indicated that it will use no more than 50 percent of the site. As a result, the Board of Supervisors would like to develop a strategy for use of the site including potential economic development opportunities on the site. The Urban Land Institute has been awarded a sole source contract to study the subject site and make recommendations to the Board of Supervisors.

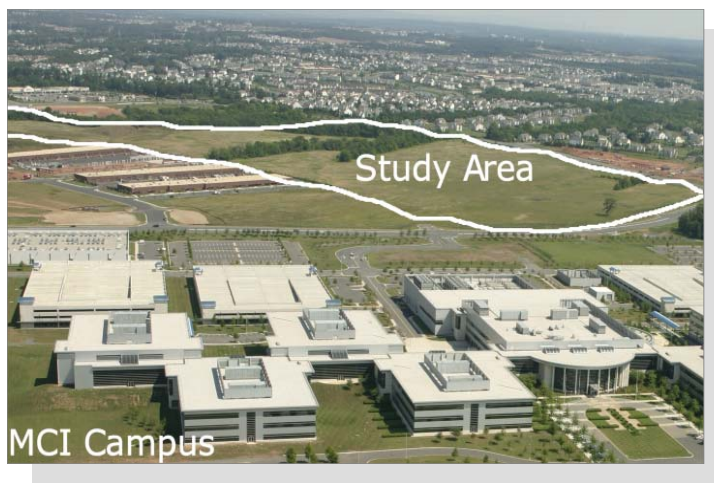
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### Summary of Problem

In 2004, the Loudoun County Government acquired a strategically located tract of land in the eastern portion of the county. Located on the Route 625 corridor adjacent to MCI's headquarters, the site is within one mile of the America Online headquarters and within four miles of Washington Dulles International Airport. The site is approximately 100 acres, zoned Planned Development-Industrial Park (PD-IP), and originally was purchased for use by the public school system. The school system is considering three potential options for the site: a career/technical school, an elementary school, or an alternative school. The school system expects that none of these options will use more than 50 percent of the site or far less. Eight acres of the site have already been developed for sports fields by the previous owner and the county's Board of Supervisors plans to retain these, leaving approximately 50-92 acres for potential development.



**Figure 1. The Study Area.** Located in Ashburn, Virginia, the Study Area is north of the MCI Headquarters Campus and south of large, planned residential developments. (Loudoun County Department of Economic Development)

The Loudoun County Government does not currently own land for development other than for county services, and with the county's rate of growth, the demand and the need for land for public service facilities is increasing.

Considering this information, Loudoun County is asking the Urban Land Institute to study three potential options for this strategically located site and recommend a course of action to the Board of Supervisors:

1. Develop the site for economic development purposes.
2. Retain the site for future use.
3. Dispose of the land.

The information presented in this briefing book relates primarily to option one. Information on demands for county services is provided as it relates to option two and option three.

### **Business Development Environment**

During the 1990s economic expansion, Loudoun County experienced success in attracting businesses and developers. As a result, Loudoun was transformed from a bedroom community to an employment center. The county was able to capitalize on the business growth for two primary reasons. First, there was a large inventory of existing vacant office and industrial space offered for sale with adjacent land for expansion. Second, sufficient land was available within infrastructured parks that was ready to be developed quickly, and was available for sale to businesses and developers.

Loudoun is currently the fastest growing county in the United States. In both population and employment, it has seen rapid and diverse business growth over the last decade. Business growth can be attributed to a number of strategic advantages including:

- Home to Washington Dulles International Airport.
- Proximity to Washington, D.C. and the federal government.
- Zoned office and industrial land allowing for current and future business growth.

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- Diversity of housing choices (suburban, rural and towns/villages).
- A reputation for high quality of life, including public school education, government services, and lifestyle choices.
- Access to a skilled/educated labor forces in and near Loudoun.
- Home to name brand companies including: America Online, Independence Air, MCI, and United Airlines, accounting for over 12 percent of Loudoun's employment.
- A robust small businesses community encouraging entrepreneurialism.
- Growing amenity base.

Office buildings catering to small tenants are being built and leased and the office/flex condominium market is strong. Small and medium-sized businesses are seeking to buy land and build their own facilities. Low interest rates and volatile investment markets have led many business owners to look at investing in their own buildings. Instead of leasing, they are seeking small lots to buy and develop specifically for their own requirements.

Loudoun has become an increasingly attractive investment market for large developers such as Boston Properties, Lerner Enterprises, WestGroup, BF Saul, and, as such, there is little land available for sale. The willingness of financially strong developers to hold property for longer terms has kept Loudoun's real estate market relatively stable during past recessions. However, many of the developers who own land in Loudoun also own land throughout the Washington, D.C. metropolitan region. As the business cycle turns and demand for new space increases, these developers are more likely to build on their more expensive land located closer to or in Washington, D.C. Further, it is unlikely that these property owners will develop speculative buildings until late in the current business cycle. They are also

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unlikely to sell land to users or allow other developers to purchase a portion of their land. Most of these developers will only consider build-to-suit development. Loudoun also has a great deal of land that is owned by long-term investors and who are not inclined to consider any development on their sites.

Additionally, with an exceptionally strong residential market, there is increasing pressure to convert office and industrial land to residential and/or mixed use communities. Of the 8,850 vacant office and industrial acres in Loudoun, 1,694 acres are currently in the county legislative process for conversion to residential or mixed use projects. Each conversion creates added pressure to convert adjacent properties to residential, thereby creating a domino effect. One effect of the explosive residential development has been increases in the price of land.

As a result of the tight supply of office and industrial land, Loudoun has recently seen a few companies interested in purchasing land and locating or expanding their business in Loudoun moving to neighboring jurisdictions due to the lack of availability of sites for purchase.

### **Some Business Development Opportunities**

Loudoun has been fortunate over the years to have a strong development community that has provided for local business growth. However, due to increasing land prices and costs to construct, it is difficult for developers to invest in new and emerging industries/businesses. Loudoun is seeing an increased interest from new industry/businesses including bio-technology, international businesses looking to establish a small U.S. presence, and small entrepreneurial/start-ups. Developers often demand long lease terms and strong financial credit. They are unwilling to take a chance on start-up companies and new industries. Loudoun County does not want to compete with private developers, but rather to encourage growth in business sectors that are emerging, offer lower financial return, or are slightly more risky for the private sector to pursue on their own. Properly selected, such businesses could be encouraged on the county-owned land and could add to Loudoun's diversified

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business base. Once successful, many businesses could further grow in private developments. Below are some potential goals and opportunities to be considered for the county owned site:

- **International Business**—Loudoun has seen moderate success in attracting international companies, but with Dulles International Airport located in the county, there is potential for additional international business growth.
- **Biotechnology**—With the Howard Hughes Medical Institute (HHMI) at Janelia Farms Research Campus opening their approximately 280 acre campus in 2006, there is increasing interest from biotechnology companies wanting to locate in proximity to this privately funded research facility. George Washington and Shenandoah Universities have strategically aligned to create a pharmacogenomics program and are working on developing a relationship with HHMI. Loudoun currently has no wet lab space, which has prevented the successful placement of bio companies in the county. While there is strong interest from developers wishing to recruit biotechnology companies, it has been difficult for private developers to obtain the necessary financing. This is due to the cost of wet lab space in an unproven market and without an existing bio-cluster to provide labor force and demand for space should a bio-related business fail.
- **Federal Activity**—Loudoun is not being negatively affected by the Base Realignment and Closures (BRAC) recommendations, and is poised to gain additional government agency activity as well as defense contractors. Loudoun can accommodate the space which meets the new government security requirements. Loudoun has an existing foundation of small, minority- and veteran-owned defense contractors that could be built upon.
- **Small Business**—Over 83 percent of Loudoun's businesses have fewer than 20 employees. Loudoun has a strong entrepreneurial spirit and as such many businesses start in homes and then need to move into more

## Situation

traditional space. The majority of these companies do not have a long financial history and may be unable to sign long-term leases. While many of these businesses are attracted to the condominium market; however, professional services such as doctors, lawyers, and real estate agents are consuming much of the condominium space.

### Description of Study Area

The Study Area is located in eastern Loudoun County in the Route 625 corridor adjacent to MCI's headquarters. The site is approximately 100 acres and zoned Planned Development-Industrial Park (PD-IP). Eight acres of the site have already been developed for sports fields by the previous owner and the Board of Supervisors plans to retain these. There is no floodplain on the site. The adjacent properties include office, retail and residential:

- **East:** MCI campus with vacant land zoned for office and support retail development.
- **West:** Small retail center and professional offices along with vacant office and flex industrially zoned land.
- **North:** Small retail center and professional offices with single family homes behind the retail
- **South:** Flex industrial development (4 buildings built) and the 2 million square foot MCI headquarters and network operations center.



**Figure 2. Study Area.** 100-Acre Study Area in Ashburn, VA. (Aerials Express, Inc. Tempe, AZ, September 2004)

*At maximum build-out, the Study Area can accommodate approximately 1.6 million square feet. However, maximum density can only be achieved with multi-story buildings and structured parking.*

## Situation

The former owner of the county-owned site received a special exception (SPEX) for an educational facility (Islamic Saudi Academy). The special exception limited the site to 660,000 square feet, and the building height was limited to 45 feet. The SPEX only applies to the private school development.

### Questions to be Addressed by the ULI Panel

Given the market, location of the property, and government and education facility needs, what is the best use of the land and how should the county pursue this?

### Development Considerations

Please answer the question above by addressing the pros and cons associated with each of the four options. Discuss additional options that the panel sees as viable, including combinations of options (range of uses).

#### 1. Sell Land

- Sell the land and return the money to the county general fund.
- Should the land be sold immediately?

#### 2. Retain or Exchange Land

- Retain the land for future development of county services/facilities.
- Retain the land and consider using it for future negotiations or trade.
- Exchange the land now or in the future for public or economic development uses.
- How long should land be held?

#### 3. Educational Uses

- Retain all or a portion of the site for use by the Loudoun County Public Schools.
- Retain the land for other future educational purposes such as a “Northern Virginia University”, private tech/trade school, etc.
- Partnerships or strategic opportunities including the public schools, Northern Virginia Community College, and other public and private sector education and workforce development entities.

- Are there foundations or sponsorships to align with to create a high-tech high school?

#### 4. **Develop for Economic Development Purposes**

- Build a biotech-related building with wet lab space.
- Build a building catering to international businesses.
- Build a building catering to small businesses and start-ups.
- Build a building meeting the new Department of Defense (DOD)/General Service Administration (GSA) requirements with secure space for classified work and meetings. Can a secured building serve multiple businesses?
- Develop a specialized campus integrating some of the above.
- Save the land for businesses that would otherwise locate outside the county because they cannot find a site in Loudoun.
- Market the land to a large corporate user.
- Develop a research park. Please discuss the type of research park.

#### **Development/ Implementation**

- If ULI's recommended vision includes developing the land for economic development purposes, what are the estimated economic and fiscal benefits and costs that affect the community and county government?
- What is the market in Loudoun for wet lab space?
- How would a secure space be managed?
- Based on the fact that Loudoun County has no dedi-

cated commercial real estate staff, what is the best way for the county to pursue site development?

- If the county develops multiple buildings with different uses, will the commercial niche value of the site be diluted?
- Should the county consider designating the site a technology zone (a state-enabled program established by county ordinance)? If so, what advantages would be associated with being part of the zone?
- Is it incentive enough to offer space to businesses (when it isn't being provided otherwise)? Are more flexible lease terms "enough"?
- What is the appropriate zoning based on the panels suggested use of the site?

### Development/Deal Structure/Financing

- Given current Virginia laws, what kind of deal structure/ownership would ULI recommend and why?
  - ♦ Have the Industrial Development Authority (IDA) develop.
  - ♦ Issue an RFP to developers. Allow options to buy?
  - ♦ County retains ownership.
- What distinctive lease terms could we offer (allow higher risk tenants, less credit, shorter terms)?
- What criteria should we use to "qualify" tenants?
- What metrics/criteria should we use as a successful return on investment (ROI) for development of the site? In what time frame would we expect to see a ROI?
- How can the county structure a deal with the private sector to control lease terms?

### Phasing and Design

- ♦ How should the recommended projects be sited to maximize their value to the community while being good neighbors?
- ♦ If building is “temporary” (i.e. we lease it out for ten years, it then becomes a county facility), how does that impact the initial design of the building and site? Are there features we should account for that may not be necessary up-front, but will be in ten years?

### Related Concern

If the final ULI recommendation is something other than to develop the site for economic development purposes, is there some way to incentivize private commercial landowners to not hold their land and not rezone to residential? In other words, to develop good product at its “best,” zoned use?